

**REPORT OF THE AUDIT OF THE
CASEY COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2010**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori Hudson Flanery, Secretary

Finance and Administration Cabinet

Honorable Ronald D. Wright, Casey County Judge/Executive

Members of the Casey County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Casey County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Casey County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen

Auditor of Pubic Accounts

Enclosure



EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
CASEY COUNTY FISCAL COURT**

June 30, 2010

Tichenor & Associates, LLP has completed the audit of the Casey County Fiscal Court for fiscal year ended June 30, 2010. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Casey County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$13,433,551 as of June 30, 2010. The fiscal court had unrestricted net assets of \$1,854,972 in its governmental activities as of June 30, 2010, with total net assets of \$13,414,556. In its business-type activities, total net assets were \$18,995. The fiscal court had total debt principal as of June 30, 2010 of \$8,743,769 with \$589,561 due within the next year.

Report Comments:

2010-01 The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts
2010-02 The Fiscal Court Does Not Maintain A Capital Asset Schedule
2010-03 The Jail Canteen Lacks Adequate Segregation Of Duties Over Disbursements
2010-04 Annual Financial Report For The Jail Canteen Was Not Properly Prepared
2010-05 The Bank Reconciliations For The Jail Canteen Were Not Properly Prepared
2010-06 Stale Outstanding Checks For The Jail Canteen Were Not Investigated
2010-07 The Fiscal Court Should Maintain Documentation Approving County Employee Pay
2010-08 The Fiscal Court Did Not Obtain Yearly Bids For Certain Expenditures In Excess Of \$20,000

Deposits:

The fiscal court's deposits as of August 31, 2009 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$190,949

As of June 30, 2010, all deposits were covered by FDIC insurance.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT.....	1
CASEY COUNTY OFFICIALS.....	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	15
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	23
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	27
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS	35
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS	39
NOTES TO FINANCIAL STATEMENTS.....	41
BUDGETARY COMPARISON SCHEDULES	42
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	45
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	64
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	68
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	73
COMMENTS AND RECOMMENDATIONS.....	77

APPENDIX A:

CERTIFICATION OF COMPLIANCE – LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C
LOUISVILLE, KENTUCKY 40243

BUSINESS: (502) 245-0775

FAX: (502) 245-0725

E-MAIL: wtichenor@tichenorassociates.com

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Ronald D. Wright, Casey County Judge/Executive

Members of the Casey County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Casey County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Casey County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Casey County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Casey County, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has chosen not to present the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Ronald D. Wright, Casey County Judge/Executive
Members of the Casey County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Casey County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 20, 2011, on our consideration of Casey County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2010-01 The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts
- 2010-02 The Fiscal Court Does Not Maintain A Capital Asset Schedule
- 2010-03 The Jail Canteen Lacks Adequate Segregation Of Duties Over Disbursements
- 2010-04 Annual Financial Report For The Jail Canteen Was Not Properly Prepared
- 2010-05 The Bank Reconciliations For The Jail Canteen Were Not Properly Prepared
- 2010-06 Stale Outstanding Checks For The Jail Canteen Were Not Investigated
- 2010-07 The Fiscal Court Should Maintain Documentation Approving County Employee Pay
- 2010-08 The Fiscal Court Did Not Obtain Yearly Bids For Certain Expenditures In Excess Of \$20,000

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

May 20, 2011

CASEY COUNTY OFFICIALS

For The Year Ended June 30, 2010

Fiscal Court Members:

Ronald D. Wright	County Judge/Executive
Mark Meece	Magistrate
Gary Johnson	Magistrate
David Phelps	Magistrate
Leon Wesley	Magistrate

Other Elected Officials:

Thomas M. Weddle, Jr.	County Attorney
Tommy Miller	Jailer
Eva S. Miller	County Clerk
Craig Overstreet	Circuit Court Clerk
Jerry Coffman	Sheriff
Eric Brown	Property Valuation Administrator
Thomas Clark	Coroner

Appointed Personnel:

Debra Vaughn	County Treasurer
Judy Allen	Deputy Judge/Executive

THIS PAGE LEFT BLANK INTENTIONALLY

CASEY COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

CASEY COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,905,110	\$	\$ 1,905,110
Total Current Assets	1,905,110		1,905,110
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	1,236,500		1,236,500
Land Improvements	66,545		66,545
Buildings	14,390,265		14,390,265
Other Equipment	455,750	17,932	473,682
Vehicles and Equipment	347,647	1,813	349,460
Infrastructure	3,756,508		3,756,508
Total Noncurrent Assets	20,253,215	19,745	20,272,960
Total Assets	22,158,325	19,745	22,178,070
LIABILITIES			
Current Liabilities:			
Due to Others		750	750
Revenue Bonds Payable	290,000		290,000
Financing Obligations Payable	299,689		299,689
Total Current Liabilities	589,689	750	590,439
Noncurrent Liabilities:			
Bonds Payable	4,690,000		4,690,000
Financing Obligations Payable	3,464,080		3,464,080
Total Noncurrent Liabilities	8,154,080		8,154,080
Total Liabilities	8,743,769	750	8,744,519
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 11,509,446	\$ 19,745	\$ 11,529,191
Restricted For:			
Debt Service	102		102
Grant Projects	50,036		50,036
Unrestricted	1,854,972	(750)	1,854,222
Total Net Assets	\$ 13,414,556	\$ 18,995	\$ 13,433,551

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CASEY COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010

CASEY COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 829,255	\$ 63,346	\$ 402,312	\$
Protection to Persons and Property	2,428,568	3,174,361	252,897	
General Health and Sanitation	97,396	21,291	20,000	
Social Services	677			
Recreation and Culture	249,008			
Roads	1,364,463		1,533,621	
Interest on Long-term Debt	282,078			227,540
Administration	1,234,937			
Total Governmental Activities	6,486,382	3,258,998	2,208,830	227,540
Business-type Activities:				
Jail Canteen	393,102	348,718		
Total Business-type Activities	393,102	348,718		
Total Primary Government	\$ 6,879,484	\$ 3,607,716	\$ 2,208,830	\$ 227,540

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Insurance Premium Taxes

Other Taxes

Excess Fees

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (363,597)	\$	\$ (363,597)
998,690		998,690
(56,105)		(56,105)
(677)		(677)
(249,008)		(249,008)
169,158		169,158
(54,538)		(54,538)
(1,234,937)		(1,234,937)
(791,014)		(791,014)
	(44,384)	(44,384)
	(44,384)	(44,384)
(791,014)	(44,384)	(835,398)
276,944		276,944
36,383		36,383
57,832		57,832
633,093		633,093
67,552		67,552
156,235		156,235
357,139		357,139
42,619		42,619
1,627,797		1,627,797
836,783	(44,384)	792,399
12,577,773	63,379	12,641,152
\$ 13,414,556	\$ 18,995	\$ 13,433,551

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CASEY COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

CASEY COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

	General Fund	Road Fund	Jail Fund	Non- Major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 368,090	\$ 190,454	\$ 1,212,275	\$ 134,291	\$ 1,905,110
Total Assets	<u>368,090</u>	<u>190,454</u>	<u>1,212,275</u>	<u>134,291</u>	<u>1,905,110</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 8,462	\$ 3,416	\$ 21,581	\$ 9,730	\$ 43,189
Debt Service Fund				102	102
Grant Projects				50,036	50,036
Unreserved:					
General Fund	359,628				359,628
Special Revenue Funds		187,038	1,190,694	74,423	1,452,155
Total Fund Balances	<u>\$ 368,090</u>	<u>\$ 190,454</u>	<u>\$ 1,212,275</u>	<u>\$ 134,291</u>	<u>\$ 1,905,110</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 1,905,110
Amounts Reported For Governmental Activities in The Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	24,546,215
Accumulated Depreciation	(4,293,000)
Long-Term Debt is Not Due And Payable in the Current Period and, Therefore, is Not Reported in the Funds.	
Financing Obligations	(3,763,769)
Bonds	<u>(4,980,000)</u>
Net Assets Of Governmental Activities	<u>\$ 13,414,556</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CASEY COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

CASEY COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
REVENUES			
Taxes	\$ 1,071,804	\$	\$
Excess Fees	156,235		
Licenses and Permits	21,291		
Intergovernmental	402,312	1,533,621	2,938,137
Charges for Services	34,507		28,839
Miscellaneous	173,603	33,119	137,191
Interest	11,644	5,287	24,905
Total Revenues	<u>1,871,396</u>	<u>1,572,027</u>	<u>3,129,072</u>
EXPENDITURES			
General Government	805,310		
Protection to Persons and Property	38,952		2,131,614
General Health and Sanitation	77,396		
Social Services	677		
Recreation and Culture	249,008		
Roads		1,364,463	
Debt Service			5,300
Principal		35,472	200,000
Interest		4,630	189,125
Administration	506,491	171,769	508,079
Total Expenditures	<u>1,677,834</u>	<u>1,576,334</u>	<u>3,034,118</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>193,562</u>	<u>(4,307)</u>	<u>94,954</u>
Other Financing Sources (Uses)			
Transfers To Other Funds	(63,500)		
Transfers From Other Funds	3,169		
Total Other Financing Sources (Uses)	<u>(60,331)</u>		
Net Change in Fund Balances	133,231	(4,307)	94,954
Fund Balances - Beginning	234,859	194,761	1,117,321
Fund Balances - Ending	<u>\$ 368,090</u>	<u>\$ 190,454</u>	<u>\$ 1,212,275</u>

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

Non- Major Funds	Total Governmental Funds
\$ 236,224	\$ 1,308,028
	156,235
	21,291
547,897	5,421,967
	63,346
13,226	357,139
783	42,619
<u>798,130</u>	<u>7,370,625</u>
23,945	829,255
258,002	2,428,568
20,000	97,396
	677
	249,008
	1,364,463
	5,300
275,000	510,472
227,540	421,295
48,598	1,234,937
<u>853,085</u>	<u>7,141,371</u>
<u>(54,955)</u>	<u>229,254</u>
(3,169)	(66,669)
63,500	66,669
<u>60,331</u>	
5,376	229,254
128,915	1,675,856
<u>\$ 134,291</u>	<u>\$ 1,905,110</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CASEY COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

CASEY COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ 229,254
<p>Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital Outlay	737,680
Depreciation Expense	(685,674)
<p>The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.</p>	
Financing Obligations Principal Payments	280,523
Bond Principal Payments	<u>275,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 836,783</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CASEY COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

CASEY COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Noncurrent Assets:	
Capital Assets:	
Other Equipment	\$ 114,350
Vehicles and Equipment	36,260
Less Accumulated Depreciation	(130,865)
Total Noncurrent Assets	19,745
Total Assets	19,745
Liabilities	
Due to Others	750
Total Liabilities	750
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	19,745
Unrestricted	(750)
Total Net Assets	\$ 18,995

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CASEY COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

CASEY COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 378,934
Total Operating Revenues	<u>378,934</u>
Operating Expenses	
Cost of Sales	236,077
Educational and Recreational	86,754
Personnel Costs	41,326
Depreciation	16,941
Sales Tax	11,984
Miscellaneous	20
Total Operating Expenses	<u>393,102</u>
Operating Income	<u>(14,168)</u>
Nonoperating Revenues (Expenses)	
Inmate Fees Paid to Inmate Detention Fund	(2,298)
Inmate Fees	41,626
Inmate Fees Paid to Fiscal Court	(41,626)
Inmate Refunds	<u>(27,918)</u>
Total Nonoperating Revenues (Expenses)	<u>(30,216)</u>
Change In Net Assets	(44,384)
Total Net Assets - Beginning	<u>63,379</u>
Total Net Assets - Ending	<u>\$ 18,995</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CASEY COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

CASEY COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Cash Receipts from Customers for Sales	\$ 378,934
Cash Payments to Vendors	(322,850)
Cash Payments to Employees	(41,325)
Cash Payments for Sales Tax	(11,984)
Net Cash Provided By Operating Activities	<u>2,775</u>
Cash Flows From Noncapital Financing Activities	
Inmate Fees Paid to Inmate Detention Fund	(2,298)
Inmate Fees	41,626
Inmate Fees Paid to Fiscal Court	(41,626)
Inmate Refunds on Accounts	(27,918)
Inmate Funds Due from Others	750
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(29,466)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(26,691)
Cash and Cash Equivalents - July 1, 2009	<u>26,691</u>
Cash and Cash Equivalents - June 30, 2010	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

	Business-Type Activities - Enterprise Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	Jail Canteen Fund
Operating Income (Loss)	\$ (14,168)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	16,941
Net Cash Provided By Operating Activities	<u>\$ 2,773</u>

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

CASEY COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

	<u>Agency Fund</u>
	<u>Inmate Detention Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 9,454
Due from Others	<u>750</u>
Total Assets	<u>10,204</u>
Liabilities	
Amounts Held In Custody For Others	<u>10,204</u>
Total Liabilities	<u>10,204</u>
Net Assets	
Total Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	41
NOTE 2.	DEPOSITS.....	48
NOTE 3.	OPERATING LEASES	48
NOTE 4.	CAPITAL ASSETS	48
NOTE 5.	LONG-TERM DEBT.....	51
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM	54
NOTE 7.	INSURANCE	55
NOTE 8.	SUBSEQUENT EVENTS	55
NOTE 9.	RELATED PARTY TRANSACTIONS	55
NOTE 10.	ESTIMATED HISTORICAL COSTS	55

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

Casey County Fiscal Court (the County) presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The State Local Finance Officer does not require the County to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of the Fiscal Court (the County) include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the County is financially accountable or the organization's exclusion would cause the County's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Units

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Casey County Public Properties Corporation

In 2002, the Casey County Fiscal Court (Fiscal Court) established the Casey County Public Properties Corporation (the Corporation) for the purpose of financing the construction and installation of public projects in furtherance of the proper public purposes of Casey County. The Corporation consists of the five members of the Fiscal Court, which includes the Casey County Judge/Executive and the four magistrates and has a perpetual existence. Since Fiscal Court has complete authority over the entity, it is considered a component unit of Casey County. The financial information of the Corporation is blended within Casey County's financial statements.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Casey County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Casey County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the County, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Casey County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The primary government reports the governmental activities, business-type activities and proprietary funds using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the governmental funds using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenditures are recognized when paid.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the County. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Grant Fund, Agricultural Center Fund, Emergency 911 Fund, and Casey County Public Properties Judicial Center Project Fund.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Grant Fund, Agricultural Center Fund, and the Emergency 911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Casey County Public Properties Judicial Center Project Fund is presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the County's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The County's agency fund is used to account for monies held by the County in the Inmate Detention Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Inmate Detention Fund - This fund accounts for funds received from jail inmates and returned to the inmates.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

F. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the County to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-20
Other Equipment	\$ 2,500	3-25
Vehicles and Equipment	\$ 2,500	3-5
Infrastructure	\$ 20,000	10-50

H. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

J. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Casey County Public Properties Judicial Center Project Fund (blended component unit) is not budgeted by the fiscal court. The Department for Local Government does not require the fiscal court to report or budget these funds.

The Jail Canteen Fund is not budgeted by the fiscal court because fiscal court does not approve the expenses of this fund.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

K. Related Organizations and Joint Ventures

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Casey County Fiscal Court: East Casey County Water District and the Casey County Emergency Ambulance Service District are considered related organizations of Casey County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of the Casey County Fiscal Court: The Economic Development Authority of Liberty/Casey County (with the city of Liberty), Liberty/Casey Airport Board (with the city of Liberty), and Liberty/Casey County Rescue Squad (with the city of Liberty).

Note 2. Deposits

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of June 30, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

On August 31, 2009, deposits were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$190,949

Note 3. Operating Leases

The fiscal court entered into various lease agreements for printing, fire alarm systems, and jail law enforcement software to be used by various county departments. The total expense related to these leases was \$59,160 for the fiscal year ended June 30, 2010. All operating leases are short-term and may be cancelled with notice from the Court. Therefore, there are no required future minimum lease payments for the Court's operating leases.

Note 4. Capital Assets

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Capital asset activity for the year ended June 30, 2010 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,236,500	\$	\$	\$ 1,236,500
Total Capital Assets Not Being Depreciated	1,236,500			1,236,500
Capital Assets, Being Depreciated:				
Land Improvements	82,160			82,160
Buildings	16,607,248			16,607,248
Other Equipment	1,405,718	76,257		1,481,975
Vehicles and Equipment	833,684	50,396		884,080
Infrastructure	3,643,225	611,027		4,254,252
Total Capital Assets Being Depreciated	22,572,035	737,680		23,309,715
Less Accumulated Depreciation For:				
Land Improvements	(10,959)	(4,656)		(15,615)
Buildings	(1,877,710)	(339,273)		(2,216,983)
Other Equipment	(907,749)	(118,476)		(1,026,225)
Vehicles and Equipment	(447,062)	(89,371)		(536,433)
Infrastructure	(363,846)	(133,898)		(497,744)
Total Accumulated Depreciation	(3,607,326)	(685,674)		(4,293,000)
Total Capital Assets, Being Depreciated, Net	18,964,709	52,006		19,016,715
Governmental Activities Capital Assets, Net	\$ 20,201,209	\$ 52,006	\$ 0	\$ 20,253,215

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 246,610
Protection to Persons and Property	185,646
General Health and Sanitation	8,003
Social Services	13,244
Recreation and Culture	6,350
Roads, Including Depreciation of General Infrastructure Assets	<u>225,821</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 685,674</u>

Capital asset activity for Business-Type Activities for the year ended June 30, 2010 was as follows:

Business-Type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 36,260	\$	\$	\$ 36,260
Other equipment	<u>114,350</u>			<u>114,350</u>
Total Capital Assets Being Depreciated	<u>150,610</u>			<u>150,610</u>
Less Accumulated Depreciation For:				
Vehicles and Equipment	(30,778)	(3,669)		(34,447)
Other Equipment	<u>(83,146)</u>	<u>(13,272)</u>		<u>(96,418)</u>
Total Accumulated Depreciation	(113,924)	(16,941)		(130,865)
Total Capital Assets, Being Depreciated, Net	<u>36,686</u>	<u>(16,941)</u>		<u>19,745</u>
Business-Type Activities Capital Assets, Net	<u>\$ 36,686</u>	<u>\$ (16,941)</u>	<u>\$ 0</u>	<u>\$ 19,745</u>

Depreciation expense was charged to functions of the Business-Type Activities as follows:

Business-Type Activities

Jail Canteen	<u>\$ 16,941</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 16,941</u>

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt

A. Casey County Public Properties Corporation First Mortgage Revenue Bonds Series 2002

On February 1, 2002 the Casey County Public Properties Corporation issued \$6,735,000 First Mortgage Revenue Bonds, Series 2002 for the purpose of constructing a new Judicial Center facility for lease to the Administrative Office of the Courts. The bonds mature serially through August 1, 2022 and require annual principle payments due on August 1. Semi-annual payments of trustee fees and interest payments at a variable interest ranging from 1.75% to 4.75% are due on February 1 and August 1 of each year. Bonds outstanding as of June 30, 2010 were \$4,980,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 290,000	\$ 218,523
2012	300,000	206,868
2013	315,000	194,410
2014	325,000	181,128
2015	340,000	166,993
2016-2020	1,545,000	504,302
2021-2023	<u>1,865,000</u>	<u>188,614</u>
Totals	<u>\$ 4,980,000</u>	<u>\$ 1,660,838</u>

The Casey County Public Properties Corporation (Corporation), Casey County Fiscal Court and the Administrative Office of the Courts (AOC) entered into a lease agreement dated March 1, 2001, with a lease addendum dated February 1, 2002, wherein AOC shall lease from the Corporation the new judicial center at an agreed rental which is anticipated to be adequate to pay 100% of the net debt service on the bonds.

B. Kentucky Area Development Districts (KADD) Financing Trust - Jail Construction Project

On March 29, 2001, the Casey County Fiscal Court entered into an agreement with KADD Financing Trust for the construction of a new detention facility. Total principal was \$4,890,000, and requires annual principal payments due on November 20 beginning on November 20, 2002 for a period of twenty (20) years. Program fees and interest payments are due semi-annually at a variable interest rate ranging from 4% to 5.35% due on November 20 and May 20, beginning on May 20, 2001 for a period of twenty (20) years. Principal outstanding as of June 30, 2010 was \$3,640,000. Future principal and interest requirements including program fees are:

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

B. Kentucky Area Development Districts (KADD) Financing Trust – Jail Construction Project (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 215,000	\$ 185,345
2012	220,000	175,665
2013	235,000	165,310
2014	240,000	154,265
2015	250,000	142,375
2016-2020	1,420,000	505,325
2021-2023	1,060,000	97,270
Totals	<u>\$ 3,640,000</u>	<u>\$ 1,425,555</u>

C. 911 Equipment

On June 29, 2006, the Casey County Fiscal Court entered into a five-year financing obligation with Kansas State Bank of Manhattan for the purchase of 911 equipment. Total principal amount was \$146,603 with an interest rate of 6.7%. The agreement requires quarterly payments of principal and interest. Principal outstanding as of June 30, 2010 was \$33,353. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	<u>\$ 33,353</u>	<u>\$ 1,413</u>
Totals	<u>\$ 33,353</u>	<u>\$ 1,413</u>

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

D. Caterpillar Motor Grader

On June 29, 2007, the Casey County Fiscal Court entered into a five-year financing obligation with Caterpillar Financial Services Corporation for the purchase of a Caterpillar Motor Grader. Total principal amount was \$177,734, with an interest rate of 4.85%. The agreement requires monthly payments of principal and interest. Principal outstanding as of June 30, 2010 was \$76,312. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 37,232	\$ 2,870
2012	39,080	1,024
Totals	<u>\$ 76,312</u>	<u>\$ 3,894</u>

E. Motor Vehicles

On June 4, 2009, the Casey County Fiscal Court entered into a three-year financing obligation with Leasing One Corporation for the purchase of a Ford E350 Van and a Crown Victoria. Total principal amount was \$42,981, with an interest rate of 3.39%. The agreement requires annual payments of principal and interest. Principal outstanding as of June 30, 2010 was \$14,104. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 14,104	\$ 626
Totals	<u>\$ 14,104</u>	<u>\$ 626</u>

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

F. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 5,255,000	\$	\$ 275,000	\$ 4,980,000	\$ 290,000
Financing Obligations	4,044,292		280,523	3,763,769	299,689
Governmental Activities					
Long-term Liabilities	<u>\$ 9,299,292</u>	<u>\$ 0</u>	<u>\$ 555,523</u>	<u>\$ 8,743,769</u>	<u>\$ 589,689</u>

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.97 percent.

The County's contribution for FY 2008 was \$378,362, FY 2009 was \$334,014, and FY 2010 was \$439,933.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 6. Employee Retirement System (Continued)

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Insurance

For the fiscal year ended June 30, 2010, Casey County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Subsequent Events

In August 2010, the Fiscal Court passed an ordinance to approve issuance of General Obligation Refunding Bonds, Series 2010, with a principal amount not to exceed \$4,670,000. In September 2010, The Fiscal Court also passed an ordinance to approve the issuance of First Mortgage Refunding Revenue Bonds, (Judicial Center Project), Series 2010, with a principal amount not to exceed \$5,800,000 to fully refund the First Mortgage Revenue Bonds, Series 2002.

Note 9. Related Party Transactions

For the year ended June 30, 2010, the Casey County Fiscal Court paid a total of \$13,361 to Wright Implement Company, Inc. for various road maintenance supplies. The County Judge/Executive's sister and sister-in-law own Wright Implement Company, Inc. Also, the fiscal court paid a total of \$9,244 to A & D Supermarket, which is owned by the County Judge/Executive. Although the County Judge/Executive owns the supermarket, it is leased to an individual and the County Judge/Executive does not participate in the day-to-day operations of the business. The County's code of ethics states "no county officer, county employee, or immediate family member of the officer or employee, shall have an interest in a business, or engage in any business transaction, or activity, which is in substantial conflict with the proper discharge of the public duties of the officer or employee." It further defines "immediate family member" as spouse, child, or person claimed as a dependent for tax purposes; therefore, the County Judge/Executive is not in violation of the County's code of ethics. Furthermore, the County Judge/Executive excused himself from fiscal court meetings that involved Wright Implement Company, Inc. transactions. On February 21, 2000, the Casey County Board of Ethics confirmed there was no violation of the code of ethics.

Note 10. Estimated Historical Costs

The County Garage/Recycling Center and the Casey County Senior Citizen's buildings' historical costs are estimates. The primary government used the year the buildings were built and used an assessed value of the buildings based upon a report from the Property Valuation Administrator. The assessed value was then deflated back to the year of construction to arrive at estimated historical cost.

THIS PAGE LEFT BLANK INTENTIONALLY

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Cash Basis

For The Year Ended June 30, 2010

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Cash Basis

For The Year Ended June 30, 2010

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,148,000	\$ 1,153,168	\$ 1,071,804	\$ (81,364)
Excess Fees	95,500	107,946	156,235	48,289
Licenses and Permits	21,000	21,000	21,291	291
Intergovernmental Revenue	544,280	591,637	402,312	(189,325)
Charges for Services	41,250	41,250	34,507	(6,743)
Miscellaneous	181,500	191,990	173,603	(18,387)
Interest	5,000	5,890	11,644	5,754
Total Revenues	<u>2,036,530</u>	<u>2,112,881</u>	<u>1,871,396</u>	<u>(241,485)</u>
EXPENDITURES				
General Government	863,028	928,175	805,310	122,865
Protection to Persons and Property	45,017	49,637	38,952	10,685
General Health and Sanitation	109,589	95,769	77,396	18,373
Social Services		680	677	3
Recreation and Culture	360,900	446,545	249,008	197,537
Administration	735,595	669,674	506,491	163,183
Total Expenditures	<u>2,114,129</u>	<u>2,190,480</u>	<u>1,677,834</u>	<u>512,646</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(77,599)</u>	<u>(77,599)</u>	<u>193,562</u>	<u>271,161</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(90,000)	(90,000)	(63,500)	26,500
Transfers In	<u>50,000</u>	<u>50,000</u>	<u>3,169</u>	<u>(46,831)</u>
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(60,331)</u>	<u>(20,331)</u>
Net Changes in Fund Balance	(117,599)	(117,599)	133,231	250,830
Fund Balance - Beginning	<u>117,599</u>	<u>117,599</u>	<u>234,859</u>	<u>117,260</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 368,090</u>	<u>\$ 368,090</u>

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Cash Basis
For The Year Ended June 30, 2010
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$	\$	\$	\$
Intergovernmental Revenue	1,218,662	1,534,692	1,533,621	(1,071)
Miscellaneous		26,324	33,119	6,795
Interest	2,000	3,449	5,287	1,838
Total Revenues	1,220,662	1,564,465	1,572,027	7,562
EXPENDITURES				
Roads	915,600	1,365,093	1,364,463	630
Debt Service	42,162	40,102	40,102	
Administration	275,735	172,105	171,769	336
Total Expenditures	1,233,497	1,577,300	1,576,334	966
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(12,835)	(12,835)	(4,307)	8,528
OTHER FINANCING SOURCES (USES)				
Transfers Out	(50,000)	(50,000)		50,000
Total Other Financing Sources (Uses)	(50,000)	(50,000)		50,000
Net Changes in Fund Balance	(62,835)	(62,835)	(4,307)	58,528
Fund Balance - Beginning	62,835	62,835	194,761	131,926
Fund Balance - Ending	\$ 0	\$ 0	\$ 190,454	\$ 190,454

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Cash Basis
For The Year Ended June 30, 2010
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 2,597,278	\$ 2,613,420	\$ 2,938,137	\$ 324,717
Charges for Services	32,500	32,500	28,839	(3,661)
Miscellaneous	165,200	206,435	137,191	(69,244)
Interest	10,000	11,180	24,905	13,725
Total Revenues	<u>2,804,978</u>	<u>2,863,535</u>	<u>3,129,072</u>	<u>265,537</u>
EXPENDITURES				
Protection to Persons and Property	2,164,099	2,283,563	2,131,614	151,949
Debt Service	991,738	991,738	394,425	597,313
Administration	649,141	588,234	508,079	80,155
Total Expenditures	<u>3,804,978</u>	<u>3,863,535</u>	<u>3,034,118</u>	<u>829,417</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>94,954</u>	<u>1,094,954</u>
Net Changes in Fund Balance	(1,000,000)	(1,000,000)	94,954	1,094,954
Fund Balance - Beginning	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,117,321</u>	<u>117,321</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,212,275</u>	<u>\$ 1,212,275</u>

CASEY COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

CASEY COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2010

CASEY COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2010

	LGEA Fund	Grant Fund	Agricultural Center Fund	Emergency 911 Fund
ASSETS				
Cash and Cash Equivalents	\$ 72,716	\$ 50,036	\$	\$ 11,437
Total Assets	<u>72,716</u>	<u>50,036</u>	<u>0</u>	<u>11,437</u>
FUND BALANCES				
Reserved for:				
Encumbrances	7,500			2,230
Debt Service Fund				
Grant Projects		50,036		
Unreserved:				
Special Revenue Funds	<u>65,216</u>			<u>9,207</u>
Total Fund Balances	<u>\$ 72,716</u>	<u>\$ 50,036</u>	<u>\$ 0</u>	<u>\$ 11,437</u>

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2010
(Continued)

Casey County Public Properties Judicial Center Project Fund	Total Non-Major Governmental Funds
<u>\$ 102</u>	<u>\$ 134,291</u>
<u>102</u>	<u>134,291</u>
	9,730
102	102
	50,036
	<u>74,423</u>
<u>\$ 102</u>	<u>\$ 134,291</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CASEY COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2010

CASEYCOUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2010

	LGEA Fund	Grant Fund	Agricultural Center Fund	Emergency 911 Fund
REVENUES				
Taxes	\$	\$	\$	\$ 236,224
Intergovernmental	23,357	20,000		
Miscellaneous	13,226			
Interest	533	36		211
Total Revenues	<u>37,116</u>	<u>20,036</u>		<u>236,435</u>
EXPENDITURES				
General Government	23,945			
Protection to Persons and Property	5,000			253,002
General Health and Sanitation		20,000		
Debt Service				
Administration				46,595
Total Expenditures	<u>28,945</u>	<u>20,000</u>		<u>299,597</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources	<u>8,171</u>	<u>36</u>		<u>(63,162)</u>
OTHER FINANCING SOURCES				
Transfers To Other Funds			(3,169)	
Transfers From Other Funds				63,500
Total Other Financing Sources			<u>(3,169)</u>	<u>63,500</u>
Net Change in Fund Balances	8,171	36	(3,169)	338
Fund Balances - Beginning	64,545	50,000	3,169	11,099
Fund Balances - Ending	<u>\$ 72,716</u>	<u>\$ 50,036</u>	<u>\$ 0</u>	<u>\$ 11,437</u>

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2010
(Continued)

Casey County Public Properties Judicial Center Project Fund	Total Non-Major Governmental Funds
\$	\$
504,540	236,224
	547,897
	13,226
3	783
504,543	798,130
	23,945
	258,002
	20,000
502,540	502,540
2,003	48,598
504,543	853,085
	(54,955)
	(3,169)
	63,500
	60,331
	5,376
102	128,915
\$ 102	\$ 134,291

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TICHENOR & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C
LOUISVILLE, KENTUCKY 40243

BUSINESS: (502) 245-0775

FAX: (502) 245-0725

E-MAIL: wtichenor@tichenorassociates.com

The Honorable Ronald D. Wright, Casey County Judge/Executive
Members Of The Casey County Fiscal Court

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Casey County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated May 20, 2011. Casey County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Casey County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Casey County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Casey County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and a certain deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect or correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2010-01, 2010-02, 2010-03, 2010-04, 2010-05, and 2010-06 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying comments and recommendations as item 2010-07 to be a significant deficiency.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Casey County's financial statements as of and for the year ended June 30, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations as item 2010-08.

The Casey County Judge/Executive and the Jailer's responses to the findings identified in our audit are included in the comments and recommendations. We did not audit the County Judge/Executive and County Jailer's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

May 20, 2011

**CASEY COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2010

**CASEY COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2010

INTERNAL CONTROL - MATERIAL WEAKNESSES

2010-01 The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts

This is a repeat finding from the prior year. The fiscal court lacks adequate segregation of duties over receipts. The County Treasurer receives mail, posts to the receipts ledger, prepares bank deposits, makes bank deposits, and prepares financial reports.

We recommend the fiscal court either segregate these functions or implement compensating controls to offset this control deficiency.

County Judge/Executive Ronald D. Wright's Response - "We will try to implement recommendations."

2010-02 The Fiscal Court Does Not Maintain A Capital Asset Schedule

This is a repeat finding from the prior year. The fiscal court does not maintain a Capital Asset Schedule.

We recommend the fiscal court begin maintaining a schedule of capital assets and infrastructure. This schedule should contain the following information:

- Description of the asset
- Cost, voucher number, and vendor name
- Date placed into service
- Useful life
- Date asset retired and selling price if applicable

We further recommend the fiscal court review the schedule of capital assets and infrastructure at least annually.

County Judge/Executive Ronald D. Wright's Response - did not respond.

2010-03 The Jail Canteen Lacks Adequate Segregation Of Duties Over Disbursements

This is a repeat finding from the prior year. Segregation of duties over the Jail Canteen disbursement function is not adequate because the Bookkeeper makes purchases, receives inventory, and prepares checks. The Bookkeeper also receives unopened bank statements, prepares Canteen reports, and posts to the disbursement ledger.

We recommend the Jailer separate the various functions and implement compensating controls. We also recommend an employee independent of the disbursement process review all supporting documentation before payment is made, this review should be documented.

County Jailer Tommy Miller's Response - "We will take auditor recommendations into account. But hiring more staff is not feasible to do this."

CASEY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2010
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES (Continued)

2010-04 Annual Financial Report For The Jail Canteen Was Not Properly Prepared

This is a repeat finding from the prior year. The person responsible for the accounting and reporting functions did not properly record the Jail Canteen financial transactions in the accounting records. Therefore, the Annual Financial Report for the Jail Canteen was not properly prepared.

For the year ended June 30, 2010, the Jail Canteen Annual Financial Report required material adjustments to properly report its operations.

We recommend the Jailer ensure the accounting records and Annual Financial Report are properly reported for the Jail Canteen.

County Jailer Tommy Miller's Response - "This will be corrected."

2010-05 The Bank Reconciliations For The Jail Canteen Were Not Properly Prepared

This is a repeat finding from the prior year. The bank reconciliations for the Jail Canteen were not properly prepared. Proper internal control procedures require that monthly bank reconciliations be prepared at the end of each month and are accurate.

The Bookkeeper reviews the monthly bank statements for cleared checks, but no reconciliation is being performed.

We recommend the Jail Canteen bank reconciliations be performed promptly after the end of each month and kept on file for future reference. We further recommend that someone other than the Bookkeeper perform a review, and signify approval by signing and dating each bank reconciliation.

County Jailer Tommy Miller's Response - "This will be implemented."

2010-06 Stale Outstanding Checks For The Jail Canteen Were Not Investigated

This is a repeat finding from the prior year. Our audit disclosed checks that had been outstanding for over three years. Proper internal control procedures require that old outstanding checks be investigated, adjusted for separately, and payment stopped at the bank.

We recommend the Jailer investigate any Jail Canteen checks outstanding for more than one year, put a stop payment on the checks, and new checks issued if needed. Any stale outstanding checks that have been deemed abandoned funds should be turned over to the State Treasurer.

County Jailer Tommy Miller's Response - "Checks are no good after 6 mo. anyway. Not wasting to pay fee to stop check that maybe for a penny. Inmates that don't cash the check will be accounted for."

**CASEY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2010
(Continued)**

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY

2010-07 The Fiscal Court Should Maintain Documentation Approving County Employee Pay

This is a repeat finding from the prior year. We reviewed fifteen fiscal court employees and noted that for five employees the fiscal court could not provide documentation supporting the pay rate for the individuals.

We recommend the fiscal court maintain documentation supporting each employee's approved initial pay rate and any approved changes to pay.

County Judge/Executive Ronald D. Wright's Response - "We have already corrected this."

NONCOMPLIANCE

2010-08 The Fiscal Court Did Not Obtain Yearly Bids For Certain Expenditures In Excess Of \$20,000

During the audit we noted the fiscal court did not obtain yearly bids for certain expenditures in excess of \$20,000. Instead, the fiscal court continued the contracts for vendors who kept the same pricing for yearly supplies.

We recommend that the fiscal court obtain yearly bids for all expenditures in excess of \$20,000 to comply with KRS 424.260 (1).

County Judge/Executive Ronald D. Wright's Response - did not respond.

THIS PAGE LEFT BLANK INTENTIONALLY

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CASEY COUNTY

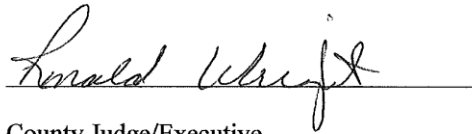
**For The Fiscal Year Ended
June 30, 2010**

Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CASEY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2010

The Casey County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "Ronald Whiff", is written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, appearing to read "Debra Vaughn", is written over a horizontal line.

County Treasurer

